



Schedule SC
Septic Credit
Credit for Repairing or Replacing
a Failed Cesspool or Septic System

2002

Massachusetts
Department of
Revenue

Name(s) as shown on Massachusetts Forms 1, 1-NR/PY or 2

Social Security number(s)

Address of principal residence with a failed system

City/Town

State

Zip

Part 1. General Information

- 1** May your parents (or someone else) claim you as a dependent on their 2002 Massachusetts income tax form? You must check yes or no:
☐ Yes ☐ No. If "Yes," you do **not** qualify for this credit.
- 2a** Date certificate of compliance or verification letter issued: ____ / ____ / _____. Retain a copy of Certificate of Compliance or verification letter.
- 2b** Name of approving authority: _____
- 3** List names, addresses and percentage of ownership of any co-owners of the above property. If a condominium, list legal name of the condominium association and total number of owners: _____
- 4** If you were a co-owner of the property for which this credit is being claimed, enter the percentage of the total actual costs that you paid. If you were the sole owner of the property, enter 100%: _____%
- 5** If you received a subsidized loan from the Commonwealth, or a betterment issued by a municipality to complete repairs or replacement of a qualified cesspool or septic system, complete the following (you must also complete Part 5):
- 5a** ☐ Subsidized loan issued under homeowner septic repair program
Name of participating lender: _____
Amount of loan: \$ _____
Loan term (in months): _____
Interest rate: ☐ 0% ☐ 3% ☐ 5%
- 5b** ☐ Loan issued by municipality and assessed as a betterment (see instructions) to your property tax bill
Name of municipality: _____
Amount of betterment: \$ _____
Number of years to repay betterment: _____
Interest rate: _____%

Part 2. Computation of Credit. Complete Part 2 only if Certificate of Compliance or verification letter was issued in 2002.

6a Briefly describe the nature of expenditures made to comply with Title 5 or to connect to a municipal sewer system pursuant to a federal court order, Administrative Consent Order, state court order, consent decree or similar mandate. Complete details must be available upon request. Also include any actual costs incurred in 1995 through 2001.		b Date paid	c Actual cost
7 Total actual costs to repair or replace a failed cesspool or septic system or to connect to a municipal sewer system. Add all amounts in line 6, column c.		7	\$
8 Maximum amount available for computation of the credit. Enter the smaller of line 7 or \$15,000.		8	\$
9 Amount of actual costs available for the credit. <i>Multiply line 8 by .40 (40%).</i>		9	\$

Part 3. Current Year Credit

10 Maximum Septic Credit available this year. If Certificate of Compliance or verification letter was issued in 2002, enter the smaller of line 9 or \$1,500. If claiming a carryover credit, enter the smaller of 2001 Schedule SC, line 16, column C or \$1,500	10	\$
11 Adjusted Septic Credit. <i>Multiply line 10 by the percentage in line 4.</i> Enter the result in line 11	11	\$
12 Interest subsidy received, if any (from Part 5, line 37)	12	\$
13 Adjusted Septic Credit available for 2002. <i>Subtract line 12 from line 11.</i>	13	\$
14 Total tax from Form 1, line 27, Form 1-NR/PY, line 31 or Form 2, line 42, less Limited Income Credit, Credit for Taxes Paid to Other Jurisdictions, Energy Credit, Lead Paint Credit, Economic Opportunity Area Credit, Full Employment Credit and/or Brownfields Credit and/or Low Income Housing Credit, if any	14	\$
15 Massachusetts Septic Credit allowable this year. Enter the smaller of line 13 or line 14 here and on Form 1, Schedule Z, Form 1-NR/PY, Schedule Z or Form 2, line 43. Do not enclose with your return. Retain for your records	15	\$

Part 4. Unused Septic Credit Carryover

Complete only if line 9 is more than line 15, or if you have unused credits from prior years.

Year Certificate of Compliance was issued	a. Total credit available		b. Portion used this year (2002 Sch. SC, line 15)	c. Unused credit available <i>Subtract col. b. from col. a</i>	
				Amount	For
16 1998	(2001 Schedule SC, line 16)	\$	\$	\$	2003
1999	(2001 Schedule SC, line 16)	\$	\$	\$	2003–2004
2000	(2001 Schedule SC, line 16)	\$	\$	\$	2003–2005
2001	(2001 Schedule SC, line 16)	\$	\$	\$	2003–2006
2002	(2002 Schedule SC, line 9)	\$	\$	\$	2003–2007

Part 5. Computation of Interest Subsidy

If Certificate of Compliance or verification letter was issued in 2002, complete all applicable lines.

If claiming a carryover credit, only complete lines 32 through 37.

17 Total amount of loan or betterment outstanding during 1997	17	
18 Number of days the loan or betterment was issued for during 1997	18	
19 Amount in line 17 \times (number of days in line 18 \div 365) \times 10%	19	
20 Total amount of loan or betterment outstanding during 1998	20	
21 Number of days the loan or betterment was issued for during 1998	21	
22 Amount in line 20 \times (number of days in line 21 \div 365) \times 9.25%	22	
23 Total amount of loan or betterment outstanding during 1999	23	
24 Number of days the loan or betterment was issued for during 1999	24	
25 Amount in line 23 \times (number of days in line 24 \div 365) \times 8.75%	25	
26 Total amount of loan or betterment outstanding during 2000	26	
27 Number of days the loan or betterment was issued during 2000	27	
28 Amount in line 26 \times (number of days in line 27 \div 365) \times 9.75%	28	
29 Total amount of loan or betterment outstanding during 2001	29	
30 Number of days the loan or betterment was issued during 2001	30	
31 Amount in line 29 \times (number of days in line 30 \div 365) \times 8.75%	31	
32 Total amount of loan or betterment outstanding during 2002	32	
33 Number of days the loan or betterment was issued during 2002	33	
34 Amount in line 32 \times (number of days in line 33 \div 365) \times 7%	34	
35 Total interest at market rate. <i>Add lines 19, 22, 25, 28, 31 and 34.</i>	35	
36 Total interest actually paid on the loan or betterment. If Certificate of Compliance or verification letter was issued in 2002, enter the total interest paid during all periods listed above. If claiming a carryover credit only, enter the amount of interest paid in 2002	36	
37 Amount of interest subsidy. <i>Subtract line 36 from line 35.</i> Enter result here and in Part 3, line 12.	37	

Schedule SC Instructions

What is the Title 5 Septic Credit?

The Septic Credit is a credit equal to 40% of the actual costs incurred in the repair or replacement of a failed septic system. The expenses are the lesser of the taxpayer's actual costs paid to repair and replace the system, or \$15,000. The maximum amount of the credit that may be claimed in any tax year is \$1,500. Any excess credit amount may be used in the five tax years following the year in which the credit was initially claimed. The total amount of credit that may be claimed by the owner for a residential property is \$6,000.

Who is Qualified to Claim the Credit?

To claim the Septic Credit, you:

- must be the owner of the residential property located in Massachusetts;
- must occupy the property as your principal residence; and
- may not be the dependent of another taxpayer.

You are the owner of the residential property if you have legal title to the property. Co-owners of the residential property who meet each of the above requirements may claim the credit proportionate to the amount of actual costs paid by each such co-owner, up to the total maximum amount of the credit of \$1,500 per year. A principle residence is generally the residence that you live in most of the time. If another taxpayer may claim you as a dependent on his or her 2002 Massachusetts income tax form you are not eligible to claim the credit.

What are Actual Costs?

Actual costs are the reasonable and necessary costs paid by the owner to repair and replace a failed septic system, including the costs for materials, equipment, demolition, relocation, design, engineering, testing and inspection. Expenses incurred by the owner in 1995, 1996, 1997, 1998, 1999, 2000 and 2001 to repair or replace a failed system are also actual costs. Actual costs do not include costs paid for the repair and replacement of any system that is not a failed system, or for the repair and replacement of any system not undertaken pursuant to the relevant Department of Environmental Protection (DEP) regulations. A copy of the Certificate of Compliance or verifica-

tion letter issued to the owner by the appropriate authority stating that the system has been repaired or replaced in compliance with the relevant DEP regulations must be kept with your records.

What is an Interest Subsidy?

The Commonwealth, through the efforts of the DEP, and the Massachusetts Housing Finance Agency (MHFA) and the state's cities and towns, offers qualified owners interest subsidies in the form of low interest rate loans and betterments for the repair and replacement of failed septic systems. If an owner has received an interest subsidy, the amount of the Title 5 credit that the owner may claim is reduced by the amount of the interest subsidy the owner receives. Generally, the amount of the interest subsidy is the difference between the non-subsidized interest rate determined under G.L. c. 62C, § 32(a) in effect at the time the owner receives the subsidy and the amount of interest the owner actually pays.

How Do I Claim the Credit?

To claim the credit, you must complete Schedule SC. Do not enclose or attach Schedule SC with your return. Retain for your records. You must also retain:

- a copy of the Certificate of Compliance or verification letter;
- if you have received an interest subsidy from the Commonwealth, a copy of a truth in lending statement or similar document from the lender stating the lender's name, the amount of the loan, the interest rate imposed, the length of the repayment term, and the amount of the loan that you have repaid; and/or
- if the interest subsidy is in the form of a betterment, the relevant property tax bill(s) or other documents received from the taxpayer's city or town stating the name of the city or town, the amount of the betterment, the interest rate imposed, the length of the repayment term, and the amount of the betterment that you have repaid.

For more information on the Septic Credit, see Technical Information Releases 97-12, 98-8, 99-5 and 99-20 and DOR Directive 01-6.